



April 4, 2001

Mr. Terry Clark
President
Finelite, Inc.
30300 Whipple Road
Union City, CA 94587-1525

RE: License Agreement

Dear Mr. Clark,

First let me thank you and David for taking the time to drive to McLean and visit AOT. I apologize again for not being able to see you earlier in the afternoon, but with Tom's visit and the many other activities at AOT and SAIC, we were very tightly scheduled on Wednesday.

To review the subject matter of our discussions:

1. AOT is interested in entering into a non-exclusive license agreement with Finelite. Initially, this agreement is intended to cover the Low Profile Linear Fluorescent (LPLF), and the Curvilinear or "Pod" Uplight fixtures for the US and Canadian Markets, with an automatic non-exclusive option for the European, Latin American, and Asian markets.
2. AOT agrees to be responsible for defending its patents. Finelite inform AOT of possible infringements and provide expertise as related to its' manufacturing knowledge.
3. AOT will make available appropriate staff personnel to facilitate the technology handoff during the initial stages of the product development, and provide reasonable and ongoing engineering reviews of the product(s) as they are being developed. Initially, the time allotted for this process is a total of 120 hours. If desired by Finelite, additional engineering support, to be procured in blocks of 100 hours, will be available at a rate of \$85.00 per hour plus expenses.
4. Finelite will provide, within 3 weeks of receipt of this letter, a complete proposed good faith time-line and milestone chart for the product(s) to be developed under this initial agreement. Milestones shall include:

- a. Agreement Executed
- b. Technology hand-off completed
- c. First Prototype(s)
- d. Tooling
- e. First Article
- f. First Sales

You indicated in our conversation that a 12-month development cycle is anticipated.

5. AOT will make available, and include with this license, an agreement to supply AOT's proprietary 97% reflective paint. After product review, Finelite will provide AOT with reasonable forecasts and place appropriate orders with AOT for paint. Paint price will be negotiated on a good-faith basis.

6. Royalty

Finelite shall pay AOT a royalty based upon the following:

- a. All sales goals and milestones shall be based upon calendar year.
- b. A 2% royalty shall be paid AOT on all product sales between \$0 and \$10,000,000.
- c. A 2.5% royalty shall be paid to AOT on all product sales between \$10,000,001 and \$15,000,000.
- d. A 3% royalty shall be paid to AOT on all product sales greater than \$15,000,001.

This royalty scale shall remain in effect for 7 years from date of agreement. After 7 years, the royalty agreement shall be renegotiated on a good-faith basis.

Payment Schedule:

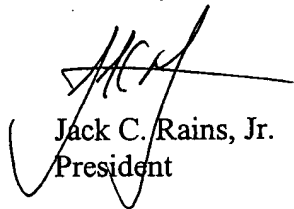
Upon execution of the agreement, Finelite shall pay AOT \$20,000 as an advance against future royalties. Further, additional advance payments of \$15,000 shall be made at appropriate milestones, which would include Tooling, First Article, and First Sales. Therefore, there would be a total of \$65,000 in advance royalty payments to AOT during the development period.

Upon initiation of product(s) sales activity, Finelite shall pay AOT on a quarterly basis within 60 days of the close of each calendar month. Finelite shall produce a quarterly statement to AOT indicating net product sales and expected royalty payment for that quarter's shipments. Finelite shall recover the \$65,000 in advance payments from its first sales.

If these points are acceptable, please let me know and we will draft an agreement to reflect the items in this letter and move forward.

Thank-you again for your interest and we look forward to working with you and your staff.

Sincerely,



Jack C. Rains, Jr.
President

Cc: Tom Folsom
The KATIE Group, Inc.